

Acute Care Hospital

Definitions

An “Acute Care Hospital” is defined as a facility providing medical and/or surgical services to all individuals that seek care and treatment, regardless of the individual’s ability to pay for such services. Acute care hospitals are capable of providing care on an immediate and emergent basis through an established Emergency Department as well as continuous treatment on its premises for more than twenty-four (24) hours. Such facilities are licensed by the Kentucky Office of Inspector General, Division of Community Health pursuant to 902 KAR 20:016.

A “Specialty Hospital” is defined as a facility offering limited, specialized medical and/or surgical services. Such facilities are distinguishable from acute care hospitals because they do not provide an Emergency Department on a twenty-four (24) hour basis and/or are incapable of satisfying one or more requirements for licensure pursuant to 902 KAR 20:016.

The “Adjusted Revenue” is defined as the case mix adjusted net revenue per adjusted admission. The applicant shall utilize the most recent Medicare cost report data to calculate the following formula:

$$\text{Adjusted Revenue} = (\text{Total Net Revenue} / \text{ADJ Admission}) / \text{MCMI}$$

Where:

Total Net Revenue = TGR - Contractual/Charity Allowances

IGR = Inpatient Gross Revenue

OGR = Outpatient Gross Revenue

TGR = Inpatient Gross Revenue + Outpatient Gross Revenue

MCMI = Medicare Case Mix Index

IA = Inpatient Admissions

ADJ Admission = $(\text{TGR} / \text{IGR}) * \text{IA}$

With regard to acute care hospitals, the “Planning Area” shall be comprised of the county of the proposed facility and all contiguous counties.

Review Criteria

An application to establish a new acute care hospital shall be consistent with this Plan if the following criteria are met:

1. The applicant shall demonstrate that sufficient need for the proposed facility exists and that the establishment of the proposed facility would not result in the unnecessary duplication of services by documenting one or more of the following:
 - a. The overall occupancy of existing acute care beds in existing acute care hospitals located in the planning area exceeds eighty (80) percent according to the most recent edition of the *Kentucky Annual Hospital Utilization and Services Report*.
 - b. The adjusted revenue of each licensed acute care hospital located within the planning area exceeded 200% of the state mean adjusted revenue, for acute care hospitals, during each of the previous three (3) years; or
 - c. All licensed acute care hospitals located within the planning area have experienced one or more of the following:
 - i. Final termination of their Medicare or Medicaid provider agreement;
 - ii. Final revocation of the their hospital license issued by the Cabinet for Health and Family Services' Office of Inspector General; or
 - iii. Final revocation of their hospital accreditation by the Joint Commission on Accreditation of Healthcare Organizations.
2. The applicant shall demonstrate the ability to provide safe, efficient and quality care and treatment to all individuals seeking medical and/or surgical services by documenting the following:
 - a. The individual(s) responsible for the operation, management and day-to-day control of the proposed facility has a documented history of providing healthcare services in conformity with federal and state standards. Moreover, no such individual has had any license or certification denied, revoked or involuntarily terminated, or has been excluded from participation in Medicare or Medicaid, or been convicted of fraud or abuse of these programs;
 - b. Written policies that implement measures to assure quality control with respect to the life, health and safety of individuals seeking care and treatment at the proposed facility. These include documented plans of

action that not only serve to prevent, but also identify, diagnose, control and treat injuries or problems including, but not limited to, the following:

- i. Acute myocardial infarctions sustained after arrival at the proposed facility;
 - ii. Hospital-acquired infections;
 - iii. Medication errors;
 - iv. Hospital-acquired pneumonia;
 - v. Death in low mortality Diagnosis Related Groups;
 - vi. Re-admittance within twenty-four (24) hours of discharge;
 - vii. Foreign objects not removed during surgical procedures;
 - viii. Post-operative respiratory failure;
 - ix. Post-operative sepsis;
 - x. Decubitus ulcers;
 - xi. Adverse reactions to the administration of medications and/or transfusions; and
 - xii. Injuries sustained as a result of falls on the proposed facility's premises.
- c. Written policies and/or protocols that implement measures to assure the proper use and utilization of all equipment to be maintained on the proposed facility's property which would be used in the care and treatment of potential patients;
 - d. The applicant must identify the licensed physicians that would provide care and treatment to patients at the proposed facility. The applicant must further demonstrate that the retention of such individuals would not adversely affect the clinical care and treatment offered at other licensed acute care hospitals located within the planning area; and
 - e. The applicant must demonstrate that it has identified and would retain trained, experienced or licensed personnel to provide efficient and effective clinical care and treatment to the proposed facility's patients. The applicant must further demonstrate that the retention of such individuals would not adversely affect the clinical care and treatment

offered at other licensed acute care hospitals located within the planning area.

3. The applicant shall demonstrate the ability to provide cost-effective services by documenting the following:
 - a. The proposed facility's payor mix would be comparable to all other licensed acute care hospitals located within the planning area;
 - b. A written business plan through which the economic performance and financial strength of the proposed facility would be comparable to the existing acute care hospitals located within the planning area. Specifically, the applicant must document that its "case mix adjusted net revenue per adjusted admission" index would not exceed 200% of the state mean "case mix adjusted net revenue per adjusted admission".
4. The applicant shall demonstrate that the proposed facility would increase access to twenty-four (24) hour acute care and treatment by documenting the following:
 - a. The proposed facility would provide care on an immediate and emergent basis through an established Emergency Department;
 - b. The proposed facility would provide emergency services to all individuals that seek care and treatment there, regardless of the individual's ability to pay for such services;
5. The applicant shall demonstrate both its intention as well as its ability to provide the same or substantially similar clinical services offered by the existing acute care hospitals located within the planning area.
6. The maximum number of acute care beds that may be approved for the purpose of constructing or establishing a new acute care hospital shall be based on volume projected five (5) years from the filing of the application. Approval will be based on the higher of:
 - a. The applicant's credible forecast of future utilization; or
 - b. A regression analysis projection of patient day trends over a five (5) year timeframe.
7. The applicant shall obtain certificate of need approval for each service it proposes to offer by satisfying the review criteria for each service set forth within this Plan.
8. No application for a specialty hospital shall be consistent with this Plan.